



Provident Capital Limited (Receivers Appointed) (In Liquidation)

**Update to Debentureholders
As at 30 September 2016**

15 December 2016

Update to Debentureholders

Dear Debentureholders

Provident Capital Limited
ACN 082 735 573
(Receivers Appointed) (In Liquidation)
(Provident or the Company)

We refer to our previous communications in relation to this matter and now provide an update on progress of the Receivership.

We recommend that this Report be read in conjunction with our previous communications with Debentureholders, which are available on our website at www.ppbadvisory.com under 'Provident Capital Limited' in the Creditors Information section. Alternatively, copies of issued documents can be requested from the Debentureholder registry service maintained by Link Market Services (**Link**). Link's contact details appear opposite.

Further information regarding the Receivership is available on our website at www.ppbadvisory.com under 'Provident Capital Limited' in the Creditors Information section.

If you have any queries (including requests to obtain copies of previous communications) please contact the Debentureholder registry service maintained by Link.

Link's contact details are as follows:

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Yours faithfully



Marcus Ayres and Christopher Hill
Receivers
Provident Capital Limited

Table of Contents

Section	Page
1 Executive Summary	3
2 Litigation	4
3 Forecast return	6
4 Realisation of loan portfolio	7
5 Next steps	8
6 Professional fees	9

Appendices

Appendix A.	Estimated outcome statement
Appendix B.	Summary of time costs

1 Executive Summary

1.1 Forecast total return

Debentureholders	Paid to date (cents in the \$)	Forecast future distributions (cents in the \$)	Forecast total return (cents in the \$)
Interest to 3 July 2012	4*	-	4
Principal	8	4	12
Total	12	4	16

Other	Paid to date (cents in the \$)	Forecast future distributions (cents in the \$)	Forecast total return (cents in the \$)
BEN	100	-	100
MIF	100	-	100
HYF	100	-	100

*4 cents equates to a 100% return of interest owing as at 3 July 2012

- We continue to estimate that Debentureholders will receive a total return of 16 cents in the dollar (inclusive of principal and interest).
- Unitholders in both MIF and HYF have received a capital return of 100 cents in the dollar, with MIF and HYF Unitholders also receiving a nominal income distribution. Both MIF and HYF have now been wound up.
- BEN facility has been repaid.

We continue to assess our ability to make future distributions to Debentureholders, however this is subject to the outcome of ongoing recovery actions.

1.2 Key activities since our last report

- Progressed our proceedings against Provident's directors for breach of their duties of care and diligence in managing the affairs of Provident (**Director Proceedings**).
- Entered into a Litigation Funding Deed with Claims Funding Australia Pty Ltd and Maurice Blackburn Lawyers.
- Obtained orders in the Director Proceedings to conduct mediation with Provident's former directors by 28 February 2017.
- Ongoing recovery of the outstanding loans. This has involved:
 - negotiations with borrowers for repayment of their loan facilities
 - litigation with borrowers
 - taking possession of security properties and preparing them for sale
 - liaising with property experts such as town planners, geotechnical and legal advisors to progress necessary building approvals
 - monitoring sale campaigns and exploring opportunities to realise illiquid assets.
- Continued to rationalise the Company's business operations to generate cost savings.

2 Litigation

2.1 Status of Director Proceedings

We commenced the Director Proceedings against Provident's directors for breaching their duties of care and diligence in managing the affairs of Provident in February 2014.

We have detailed within the below table the key dates and actions progressed in the Director Proceedings, noting that the matter is next listed for directions on 3 March 2017.

Date	Action
28 February 2014	Provident filed a statement of claim against Provident's directors
29 September 2014	Provident approached the Court for leave to amend the initial statement of claim to expand and further particularise the allegations pleaded. The motion was opposed by Provident's directors
1 December 2014	Provident served an amended statement of claim against Provident's directors
19 December 2014	Provident's directors consented to the filing of the amended statement of claim and withdrew their strike out application
10 February 2014	The Court granted an extension for Provident's directors to submit their defence until 29 May 2015
30 June 2015	Provident's directors requested further time to submit their defence and would approach the Court seeking a further extension of time
3 July 2015	After a brief hearing, the Court ordered that Provident's directors would have until 24 July 2015 to lodge their defence before returning on 3 August 2015 for further directions
24 July 2015	Messrs Malcolm Bersten, Trevor Seymour and John Sweeney file their defence
28 July 2015	Mr Michael O'Sullivan (Managing Director) files his defence

17 August 2015	Court makes directions (by consent) on Provident to serve its lay evidence and next hearing date
30 September 2015	Court transfers the Director Proceedings to the Commercial List
19 October 2015	Court makes directions (by consent) providing Provident further time to serve its lay evidence
26 October 2015	Provident files affidavit of Marcus Ayres (Receiver) putting forward primary evidence in the case
20 November 2015	Court makes directions (by consent) for, inter alia, the provision of books and records to Provident's directors and service of Provident's expert evidence
11 March 2016	Provident enters into litigation funding deed with Claims Funding Australia Pty Limited and Maurice Blackburn Lawyers
11 October 2016	Provident served its expert and further lay evidence
28 February 2017	Provident and Provident's directors to attend a mediation by this date
3 March 2017	Matter listed for further directions
31 May 2017	Provident's directors to serve their lay evidence

At a directions hearing on 7 October 2016, the Court ordered that the parties to the Director Proceedings attend mediation by no later than 28 February 2017. The purpose of mediation is to allow the respective parties to explore the possibility of reaching a settlement of the Director Proceedings. We propose to provide Debentureholders with an update on the outcome of the mediation once completed. Due to the nature of the Court process, we are unable to provide further details in respect to the Director Proceedings at this stage.

2.2 Litigation Funding

A Litigation Funding Deed (**Deed**) was entered into with Claims Funding Australia Pty Limited (**CFA**) and Maurice Blackburn Lawyers for the purposes of advancing the Director Proceedings. A Notice to Debentureholders advising of our entry into the Deed was issued on 11 March 2016. A copy of the Notice to Debentureholders is available on our website at www.ppbadvisory.com.

Prior to entry into the Deed, litigation costs for the Director Proceedings were funded using asset recoveries. The introduction of CFA to meet litigation costs moving forward allows these funds to be preserved whilst the Director Proceedings are progressed.

2.3 Actions by the Australian Securities and Investments Commission (ASIC)

ASIC has imposed the following penalties on Provident's directors for breaching their duties as directors and failing to comply with financial services laws:

- Michael O'Sullivan, Provident's Managing Director, has been banned from managing a corporation for five years and from providing financial services for seven years
- John Sweeney, one of Provident's non-executive directors, has been banned from providing financial services for two years
- Trevor John Seymour, one of Provident's non-executive directors, has been banned from managing corporations and providing financial services for three years
- Malcolm Bersten, one of Provident's executive directors and in-house legal counsel, has been banned from managing corporations and providing financial services for five years.

The banning orders against all four directors are presently under appeal.

2.4 Class action proceedings

We understand that:

- Slater & Gordon have commenced a class action against Australian Executor Trustees (**AET**) in the Federal Court of Australia in December 2014;
- Meridian Lawyers have subsequently commenced a separate class action against AET in the Supreme Court of NSW in July 2015;
- the class action commenced by Slater & Gordon was transferred to the Supreme Court of NSW on 5 February 2015, with the Court making orders that the two class actions be heard together;

- on 16 August 2016, the two class actions were listed for trial commencing in May 2017.

We are otherwise not a party to either proceeding and have not been informed as to their respective status. We recommend Debentureholders contact the respective class action lawyers directly for further updates.

2.5 Public examinations

Since our last report, an examination of Mr Salman Haq, the former Company Secretary, was held in February 2016.

Copies of the transcripts of the public examinations conducted in relation to Provident can be inspected by Debentureholders at PPB Advisory's offices upon request. Please notify any requests by contacting Link on +61 2 8767 1194 or provident@linkmarketservices.com.au.

2.6 Other recovery actions

We continue to consider other potential avenues of recovery and will update Debentureholders should there be any material developments in this respect.

3 Forecast return

3.1 Forecast return to Debentureholders

	Paid to date (cents in the \$)	Forecast future distributions (cents in the \$)	Forecast total return (cents in the \$)
Interest to 3 July 2012	4*	-	4
Principal	8	4	12
Total	12	4	16

* 4 cents equates to 100% return of interest owing as at 3 July 2012

We continue to estimate that Debentureholders will receive a total return of 16 cents in the dollar (inclusive of principal and interest). This estimate is predicated on the following assumptions, which, if they were not to materialise, could reduce the estimated return. These include, but are not limited to:

- no new significant provisions against outstanding loans
- positive and timely outcomes from the remaining property enforcement matters
- no significant adverse changes to property market values
- forecast litigation costs remaining in line with forecast
- actual projected cash outflows being consistent with the estimated outcome statement detailed in Appendix A.

We note that this estimate excludes any potential recoveries from litigation against third parties that have either been commenced (such as the Director Proceedings) or may be pursued by the Receivers or the Liquidators.

Interim distributions of 12 cents in the dollar (inclusive of principal and interest) totalling approximately \$14.8 million have been paid to Debentureholders.

Debentureholders should contact Link if they have not received their distributions or require an accounting of the distributions paid.

3.1.1 Timing of future distributions

We continue to assess our ability to make future distributions to Debentureholders, however this is subject to the outcome of ongoing recovery actions.

3.2 Estimated outcome statement

We have prepared a summary of our receipts and payments for the period to 30 September 2016 along with our projected cash inflows and outflows in Appendix A.

3.3 Bendigo & Adelaide Bank Limited (BEN)

On 10 April 2015, we repaid the BEN facility having realised sufficient loan assets that were subject to BEN security.

Following repayment of BEN, all future recoveries from the remaining loans originally funded by BEN will be for the benefit of Debentureholders. These loan recoveries represent recovery of the cash collateral that Provident was required to provide under the BEN facility agreement.

We have realised equity of \$5.8 million from this portfolio to date. We estimate the net realisable value of the remaining loans will be \$1.2 million. This amount is included in the net realisable value of all loans in Section 4.

3.4 Provident Capital Monthly Income Fund (MIF) & Provident Capital High Yield Fund (HYF)

A capital distribution of three cents in the dollar was paid to Unitholders on 30 March 2016, bringing total capital distributions to 100 cents in the dollar. Following repayment of Unitholders' capital, an income distribution of 0.2508 cents in the dollar was paid on 28 April 2016.

Now that all of MIFs assets have been realised, and those funds have been distributed, we have requested that ASIC deregister the scheme. HYF was wound up on 31 March 2015 and deregistered by ASIC on 23 August 2015. Please refer to our website at www.ppbadvisory.com under Provident Capital Limited in the Creditors Information section for previous updates to Unitholders.

4 Realisation of loan portfolio

4.1 Summary of loan portfolio

	Number	Provident's carrying value (\$m)	Receivers' estimated net realisation (\$m)
Mortgagee in possession (MIP)	3	23.7	4.3
Residual and related party loans	4	7.8	0.1
Total	7	31.5	4.4

* Receivers' estimated realisations are net of expenses

On the basis of the information currently available, we estimate the net realisable value of the remaining loan portfolio to be \$4.4 million. This compares to Provident's books and records recording a carrying value for these loans, as at the date of our appointment (inclusive of principal and interest) of \$31.5 million.

Provident is MIP of three security properties that support the loans, as detailed further in the section below.

4.1.1 Mortgagee in possession

At 30 September 2016, Provident was in possession of three security properties, namely:

- a development site in the Gold Coast, Qld
- vacant rural land at North Arm Cove, NSW
- vacant rural land at Woodlands, NSW.

The development site in the Gold Coast has been detailed (to various extents) in our previous communications with Debentureholders. The nature of this security property is such that this realisation has been costly and protracted, although we anticipate conditions will improve regarding this site which will allow the asset to be marketed in 2017.

To achieve this, we continue to:

- engage our property experts, including town planners, geotechnical and legal advisors in respect to work required to obtain necessary development approval
- liaise with the local Council authorities regarding development approval requirements.

We have recently exchanged contracts for the sale of the vacant rural land at North Arm Cove. Settlement of the sale is scheduled to occur within the next month, with any shortfall forming part of our residual debt recovery programme.

The vacant rural land at Woodland is currently being prepared for sale. We have obtained proposals from a number of local sales agents and expect to commence marketing the property in early 2017.

4.2 Residual and related party loans

There are four residual loans at 30 September 2016 which had a carrying value in Provident's books and records at the date of our appointment of \$7.8 million. We note that the residual balance relates to a shortfall on each respective loan following sale of the primary security property. The largest individual loan residual balance relates to a related party loan valued at \$4.6 million. We anticipate limited recoveries in respect to this loan.

We continue to consider options available for Provident to pursue other forms of recovery against borrowers where there is a shortfall, subject to it being commercially viable to do so. However, options are limited due to the age of the loans, the nature of Provident's lending being primarily based on the security asset as opposed to alternative sources of repayment and the borrowers typically being of little financial worth.

5 Next steps

Our focus will continue to be on the realisation of the remaining loan assets and progressing the Director Proceedings.

The key work streams within the Receivership that are currently being processed include, but are not limited to:

- attending to the ongoing day to day operations of Provident's business, albeit at a substantially reduced level
- ongoing recovery of the remaining three loans, including legal enforcement action against these borrowers (where commercially viable) and the realisation of the primary security assets given that Provident is mortgagee in possession
- investigating the ability to recover any value in relation to residual debt exposures and the related party loan
- progressing the Director Proceedings in line with the current timetable set by the Court including preparing any necessary evidence in reply
- preparing for upcoming mediation which is required to be held by no later than 28 February 2017, including liaising with our legal advisors and Provident's directors
- ongoing reporting with CFA and Maurice Blackburn Lawyers regarding the Director Proceedings
- responding to applications, subpoenas and other Court orders from the respective class action groups
- ongoing reporting to the Court and Debentureholders on the conduct of the Receivership
- ongoing liaison with key stakeholders such as AET, ASIC and the Liquidators
- paying distributions to Debentureholders as and when funds become available.

6 Professional fees

6.1 Key actions undertaken since our appointment

A summary of the key actions undertaken since our appointment is provided below:

- notified and convened national information sessions for Debentureholders
- prepared submissions to Court and received approval to amend the Trust Deed allowing for distributions to Debentureholders to commence
- distributed in excess of \$14.8 million to Debentureholders
- repaid the loan to BEN in the amount of circa \$75 million and took steps to unlock the remaining loans with an estimated equity value of \$7 million
- completed the wind down of both MIF and HYF
- completed the sale of the Mortgage Manager Program (**MMP**)
- managed the day to day operations of Provident's business, including commencing enforcement action (where required) to recover outstanding loans
- ongoing management and realisation of security properties controlled by Provident in its capacity as mortgagee in possession
- completed the sale of two portfolios of par loans to MKM Capital Pty Limited generating approximately \$12 million
- resolved litigation matters in progress as at the date of our appointment
- prosecuted a large number of contested claims in order to recover assets from borrowers, guarantors and in some cases advisors to Provident
- reported to BEN and Unitholders in MIF and HYF regarding the wind down of their respective loan portfolios
- regularly considered options to reduce ongoing operational costs of the receivership where possible
- prepared and lodged objections to the ATO for Provident's historical tax returns resulting in gross recoveries in excess of \$2.8 million
- undertook extensive investigations into Provident's historical affairs resulting in the Director Proceedings and considering other possible actions against third parties (including, but not limited to the former auditors of Provident)

- conducted public examinations of Provident's officers for a period of over 10 days
- progressed the Director Proceedings, involving significant engagement with legal advisors, counsel and expert witnesses
- undertook an extensive process to test the market of third party litigation funders, including negotiations with litigation funders and adverse cost insurers
- finalised and executed the Deed with CFA and Maurice Blackburn Lawyers
- filed protective proceedings against PwC, Provident's former auditors for the period up to January 2008
- responded to applications, subpoenas and other Court orders from AET and the respective class action groups
- liaised and met with ASIC, the Liquidators and the Special Purpose Receivers
- reported to AET, the Court and Debentureholders regarding the conduct of the Receivership.

6.2 Receivers' remuneration to date

Our remuneration is based on time incurred, calculated in accordance with the rates set by PPB Advisory in accordance with the Australian Restructuring, Insolvency and Turnaround Association's Best Practice Guide. These rates have been approved by the Federal Court of Australia.

We have incurred approximately \$12.1 million (excluding GST and disbursements) in professional fees for the period 3 July 2012 to 30 September 2016, however have only been paid \$8.4 million (excluding GST and disbursements). We have not drawn any remuneration since 1 April 2014 in an effort to fairly balance the cashflow to Debentureholders in the context of the broader matter and future recoveries.

We intend to make an application to the Court shortly for approval of our fees for the period from 1 April 2014 to 30 September 2016 in the amount of \$3.7 million (excluding GST). No fees will be paid until Court approval is obtained.

From inception of the Deed with CFA, being 11 March 2016, we have agreed that our time costs in respect to the Director Proceedings will not be paid until an outcome in these proceedings has been reached. For the period 11 March 2016 to 30 September 2016, this amount is approximately \$157,935 (excluding GST).

A summary of our time costs allocated between key receivership work streams for the period 3 July 2012 to 30 September 2016 is presented at Appendix B.

Full particulars of work undertaken and remuneration incurred were previously provided to AET for approval as well as to ASIC for their review and comment (we note that ASIC does not approve our remuneration). Following our retirement as AET's privately appointed receivers and managers on 6 November 2015, we are required to apply to the Court for all future fee approvals.

For Debentureholders who wish to raise queries in respect of our remuneration (including reviewing copies of our remuneration reports), the reports are available for review, but will be limited to a summary of the classes of work performed and not the full remuneration reports. This is because the full remuneration reports include detailed narrations of the completed tasks which are in certain cases commercially sensitive in nature and or are subject to privilege where those narrations detail discussions with Provident's legal team, or third parties on a without prejudice basis.

6.3 Future remuneration

We estimate our total future remuneration to completion of the matter to be approximately \$1.3 million (excluding GST and disbursements), bringing total receivership fees to \$13.4 million (excluding GST and disbursements). To date, we have not drawn any fees since 1 April 2014 and have only paid \$8.4 million (excluding GST and disbursements) in fees.

Our estimate of future fees is dependent upon a number of variables, including but not limited to ongoing recovery actions relating to the outstanding loans and residual debts and the timely progression of the Director Proceedings in line with our current expectations. Due to the inherent complexity and uncertainty associated with litigation, it is extremely difficult to predict with any degree of accuracy or certainty our future estimated fees.

We continue to consider options to reduce the costs of the receivership where possible, and note that given the current status of the receivership, the ability to realise further cost savings is limited.

Appendix A. Estimated outcome statement

Period	03-Jul-12 to 30-Sep-16 \$	Forecast to completion \$	Total \$
Receipts			
BEN - Loan realisation and equity	81,214,966	1,221,075	82,436,041
BEN - Special Servicer Fee	355,228	0	355,228
Fixed Term Investment (FTI) - loan realisation plus interest	41,474,538	3,070,098	44,544,636
Refund of pre-appointment income tax	2,838,178	0	2,838,178
Pre-appointment cash at bank	2,168,371	0	2,168,371
MIF and HYF income	2,174,117	0	2,174,117
Interest income	375,791	0	375,791
MMP - Commission income and realisation of income trail	352,590	0	352,590
Loan repayment from Cashflow Finance Solutions	500,000	117,000	617,000
Litigation funding	1,446,055	0	1,446,055
Recovery from Director Proceedings	0	0	0
Other income	68,949	0	68,949
Total receipts	132,968,783	4,408,173	137,376,956
Payments			
Receivership costs and disbursements - incurred to date	(9,278,363)	(3,818,943)	(13,097,306)
Receivership costs and disbursements - estimated to completion	0	(1,265,000)	(1,265,000)
MIP property expense	(2,277,598)	(535,799)	(2,813,397)
Corporate overheads	(9,321,733)	(597,556)	(9,919,290)
Legal fees and disbursements	(12,590,812)	(1,000,000)	(13,590,812)
Trustee legal and professional costs to 3 July 2012	(653,959)	0	(653,959)
Loan to Cashflow Finance Solutions	(587,253)	0	(587,253)
Voluntary Administrator costs - McGrathNicol	(122,271)	0	(122,271)
Liquidators costs - McGrathNicol	(102,914)	(50,000)	(152,914)
Special purpose receivers - PWC Claim - McGrathNicol	(101,565)	0	(101,565)
Special purpose receivers - AET Claim - McGrathNicol	(100,000)	0	(100,000)
Security trustee fees	(363,377)	(27,399)	(390,776)
Total payments	(35,499,845)	(7,294,698)	(42,794,543)
Distributions			
Distributions to BEN	(75,391,016)	0	(75,391,016)
Distributions to Debentureholders - Interest	(4,756,342)	0	(4,756,342)
Distributions to Debentureholders - Principal	(10,037,439)	0	(10,037,439)
Total distributions	(90,184,797)	0	(90,184,797)
Net receipts and payments	7,284,141	(2,886,525)	4,397,616
Balance owing to Debentureholders			125,467,975
Paid to date (cents in the \$)			.08
Balance to distribute (cents in the \$)			.04
Total disitributions (cents in the \$)			.12

Please note:

- all figures exclude GST
- the current estimated outcome statement does not provide for any recovery from the Director Proceedings. A positive outcome of these proceedings will increase the projected recoveries and therefore funds available for distribution to Debentureholders
- no provision for further litigation funding in respect to legal costs associated with the Director Proceedings has been included in the forecast on the basis that the proceedings are fully funded by CFA and are therefore cost neutral on the estimated outcome to Debentureholders.

Appendix B. Summary of time costs

Our professional fees for the period 3 July 2012 to 30 September 2016 total approximately \$12.1 million (GST exclusive and disbursements). We have summarised our time costs for this period across ten key work streams, as shown in the table below:

Workstream	Value (\$) (GST exclusive)	Hours
Asset management	3,596,415.94	9,019.14
Loan portfolio management	1,942,680.57	5,445.88
Funds management	572,020.00	1,151.23
Other Assets	163,836.50	340.30
Litigation	664,044.83	1,280.97
Investigation	1,103,761.30	2,596.83
Creditors	925,242.50	2,069.95
Employees	152,283.50	412.60
Dividend	36,274.50	91.85
Trading	1,140,806.70	3,081.60
Administration	1,817,084.75	5,047.48
Total	12,114,451.09	30,537.82

As detailed in section 6.2 of this report, we have only drawn \$8.4 million against this amount, relating to the period 3 July 2012 to 31 March 2014.

We provide below a non-exhaustive summary of the tasks completed within each of the key work stream detailed in the table above:

Asset and loan portfolio management

- Ongoing management of security properties in Provident's capacity as mortgagee in possession
- Review of loan positions and preparing strategy for realisation of remaining loans
- Reporting on loan portfolio positions
- Taking possession of security properties

- Dealings with tenants (including taking control of rent)
- Dealings with mortgagor/owner of the security property
- Engaging valuers, sales agents and solicitors
- Developing and executing realisation strategy
- Liaising with property experts (town planners, geotechnical advisers)
- Ongoing liaison with local planning authorities
- Engaging and making enquiries of statutory bodies (for land tax, council/water rates)
- Reporting to key stakeholders
- Reporting on enforcement action in relation to the loan portfolio
- Monitoring wind down of the loan portfolio.

Funds management

- Preparing reporting to update Unitholders in the Funds
- Management of MIF and HYF
- Managing regulatory requirements of the Funds
- Monitoring wind down of MIF and HYF.

Creditors

- Ongoing reporting to AET and BEN in their capacity as secured creditors
- Preparing reports to Debentureholders
- Notifying and coordinating information sessions of Debentureholders
- Responding to queries from Debentureholders
- Ongoing liaison with the Debentureholder registry service maintained by Link.

Employees

- Managing staffing requirements
- Responding to staff queries
- Ongoing payroll, superannuation and workers compensation requirements
- Calculation of employee entitlements and other amounts owing to staff.

Trading

- Ongoing liaison with borrowers
- Ongoing liaison with third party service provider for the loan operating system and reporting requirements
- Assessing and undertaking enforcement action against defaulting borrowers
- Participating in settlement discussions with borrowers.

Investigation and litigation

- Developing and undertaking investigations into Provident's historical affairs, including the conduct of its directors and officers
- Investigating potential claims against third parties such as auditors, valuers and other advisors
- Overseeing public examinations of Provident's directors
- Collecting and forensically reviewing Provident's hard copy and electronic books and records
- Briefing solicitors and devising settlement strategies for pre-existing litigation matters upon our appointment
- Commencing and prosecuting the Director Proceedings
- Liaising with litigation funders and adverse cost insurers which resulted in entering into a Deed to pursue the Director Proceedings whilst preserving existing receivership funds
- Responding to applications, subpoenas and other court orders from AET and the class action groups.

Administration

- Preparing the overall engagement strategy
- Managing bank account administration
- Ongoing statutory reporting to ASIC and ATO
- Liaising with statutory bodies
- Risk mitigation planning
- Discussions with legal advisors regarding receivership legal strategy
- Dealing with insurance requirements
- Strategic planning of the receivership
- Management of MIP engagements
- General file administration and document management
- Attending to ad hoc tasks.

Proportionality of fees charged to asset realisations

Task area	Fees incurred (\$)	Assets realisations (\$)	Proportion of fees to assets (%)
Asset and loan portfolio management	9,312,116.04	123,215,071.86	7.6%
Funds management	638,594.53	2,174,116.89	29.4%
Other assets	351,654.14	6,133,539.51	5.7%
Investigation and litigation	1,812,086.37	1,446,054.90	125.3%
Total	12,114,451.09	132,968,783.16	9.1%

The table above has been prepared to provide Debentureholders with detail regarding the professional fees incurred proportion to asset realisations which have been achieved to date. Debentureholders will note that costs of \$12.1 million have been incurred to recover \$133 million, which represents 9.1% of asset recoveries.

We additionally note that in preparing the table above:

- total overhead costs of \$4,071,691.95 have been apportioned on a pro-rata basis to each task area as a proportion of asset realisations. This includes the work streams described above as Creditors, Employees, Dividend, Trading and Administration
- the value of realisations from “Asset and loan portfolio management” does not reflect the gross realisation of all loans in the Debentureholder funded FTI loan portfolio, the effect of which would be to reduce the proportionality of the costs incurred respective to total realisations
- the value of realisations from “Funds management” does not reflect the realisation of the underlying portfolios within MIF and HYF which had over \$30 million of funds under management upon our appointment, the effect of which would be to significantly reduce the proportionality of the costs incurred respective to total realisations
- the majority of the fees incurred has been in respect to the recovery of the loan portfolios, which is expected, given that that this is the largest category of assets held by Provident

- whilst investigation and litigation costs incurred on a proportional basis are high, this reflects:
 - the investment in progressing the Director Proceedings (and other investigations associated with the receivership) which, subject to the outcome of the Director Proceedings, we expect the proportion of fees incurred to assets realised to significantly reduce
 - assets realised to date reflect the reimbursement of legal costs under the Deed with CFA.